



GAMING EDITION

GAMING 101

History of Gaming in
Florida

Tuesday, May 11, 2021
10 a.m.

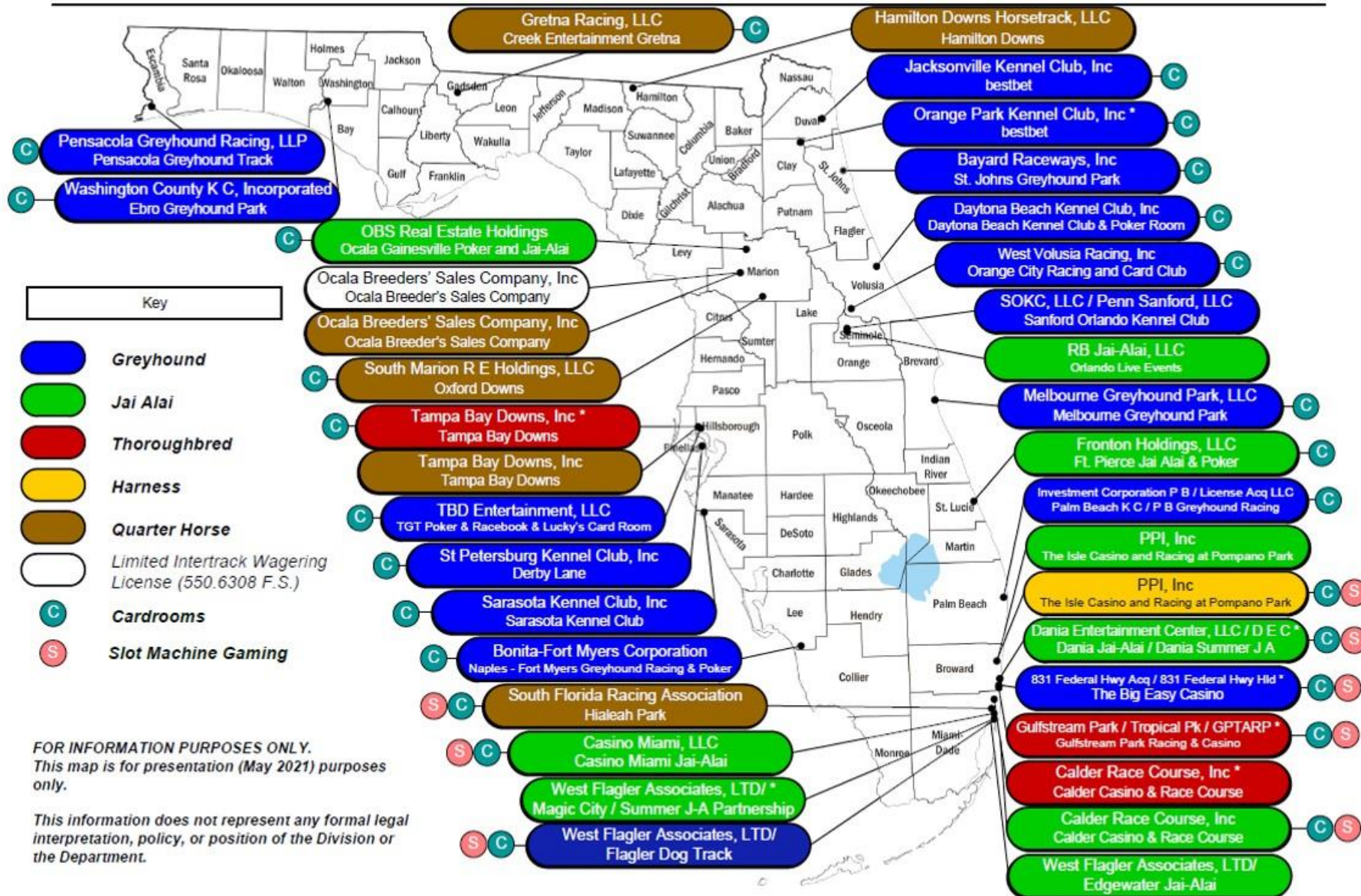
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Pari-Mutuel Permitholders with 2020-2021 Operating Licenses



FOR INFORMATION PURPOSES ONLY.
This map is for presentation (May 2021) purposes only.

This information does not represent any formal legal interpretation, policy, or position of the Division or the Department.

* Facilities where two or more permitholders perform.



LEGALIZED GAMBLING IN FLORIDA

- Horse and dog racing, and pari-mutuel pools were **legalized by the Legislature in Florida in 1931**, overriding a veto by then Governor Carlton. In 1935, jai alai was added to the list of legalized pari-mutuel activities and slot machines were also legalized.
- A reported 12,000 slot machines went into operation and gave the state approximately \$625,000 in revenue. However, slot machine authorization was repealed in 1937 after referendums in most counties showed a large majority were against their operation.
- The impetus to legalize gambling in Florida has been attributed to the land boom of 1924-25 and the Great Depression of the 1930's. The law provided for a three percent tax on pari-mutuel betting and a 15 percent tax on admissions to the facilities, which were earmarked for equal distribution to each of Florida's 67 counties.
- The pari-mutuel industry has grown from 1931 to today:
 - In 1931: 6 dog tracks and 3 horse tracks,
 - In 2020: 16 dog tracks, 3 thoroughbred, 6 quarterhorse, 1 harness track, and 9 jai alai frontons.



HISTORY OF DOG RACING IN FLORIDA

The first state to allow dog tracks to operate **legally** in the United States was Florida in 1931. By 1935, there were ten licensed tracks operating in the Sunshine State.

Over the last 10 years, newspapers across the state published stories about injuries and deaths suffered by racing greyhounds, discovery of drugged dogs, and convicted criminals working in the industry.

Then in 2018, animal rights advocates worked actively to end greyhound racing in Florida through a constitutional amendment, which was successfully adopted in 2018.

All dog racing ended in Florida on December 31, 2020.

Live dog racing in the United States is only currently offered in Arkansas, Iowa, and West Virginia.



ARTICLE X, SECTION 32 OF THE FLORIDA CONSTITUTION - PROHIBITION ON RACING OF AND WAGERING ON GREYHOUNDS AND OTHER DOGS

The amendment, approved by voters on November 6, 2018, phased out wagering on dog racing by initially allowing greyhound permitholders to choose to discontinue live greyhound racing.

- As of January 1, 2021, wagering on live greyhound racing in Florida is **prohibited**.
- However, greyhound tracks are allowed to continue other gambling activities like cardrooms and slot machines in the absence of live racing.
- The amendment eliminated the requirement under current law for greyhound permitholders to conduct a minimum number of live races in order to maintain their other gambling activities.
- The amendment also requires the Legislature to create civil or criminal penalties for violations.



PARI-MUTUEL WAGERING PERMITS: PERMITHOLDERS VS. LICENSES

- Applicants must first apply to the Division of Pari-mutuel Wagering (Division) under the Department of Business and Professional Regulation (DBPR) for a permit. Then, if the permit is approved in a referendum in the county where the license will be located, the permitholder may be issued an annual operating license for the pari-mutuel facility.
- Permits are limited by restrictions interspersed throughout Florida Statutes.
 - One restriction, limits permits by geographic location. A permit may not be issued for a horse or greyhound racetrack at a location within 100 miles of an existing pari-mutuel facility or for a jai alai fronton within 50 miles of an existing pari-mutuel facility.
- Certain pari-mutuel wagering permitholders are also authorized to operate cardrooms and slot machines at their facility. These activities may only be conducted by licensed permitholders.
- A license to operate pari-mutuel wagering on live races or games, slot machine gaming, or a cardroom at a pari-mutuel facility is a privilege granted by the state. Such license must be applied for and obtained by the permitholder prior to conducting such activities.



SLOT MACHINES

In 2004, voters approved a state constitutional amendment authorizing slot machines at specified pari-mutuel facilities in Broward and Miami-Dade Counties, subject to local approval via referenda.

- Slot machines are now authorized at eight pari-mutuel facilities in Broward and Miami-Dade Counties and are regulated under Chapter 551, F.S.
- Slot machine licensees are required to pay a \$2 million annual license fee and a \$250,000 annual regulatory fee. The tax rate on slot machine revenues at each facility is currently 35 percent.
- Slot machine gaming may only be conducted at the facility where a licensed pari-mutuel permitholder is authorized under a valid permit.
- **In order to remain eligible for slot machines, pari-mutuel permitholders must conduct a full schedule of live racing or games, among other requirements.** For example, for a greyhound or jai alai permitholder, the conduct of a combination of at least 100 live evening or matinee performances during the preceding year.
- Slot machine gaming is limited to 18 hours per day, Monday through Friday, and 24 hours on Saturdays and Sundays.



CARDROOMS

The Legislature authorized cardrooms at pari-mutuel facilities in 1996 subject to local approval via referenda.

- During Fiscal Year 2020/2021, there were 26 cardroom license permitholders.
- Cardrooms must be approved by an ordinance of the county commission where the pari-mutuel facility is located.
- A pari-mutuel facility that operates a cardroom may only offer authorized games, which include "a game or series of games of poker or dominos which are played in a nonbanking manner." Thus, games are limited to where the participants play against each other, instead of against the house. No-limit poker games are permitted.
- Each cardroom operator must pay a tax of 10 percent of the cardroom operation's monthly gross receipts, including the "rake" (set fee or percentage of the pot assessed by a cardroom operator for providing the services of a dealer, table, or location), and pay an admission tax equal to 15 percent of the admission charge.
- **To remain eligible for a cardroom license, a permitholder must conduct at least 90% of the performances conducted the year it applied for its initial cardroom license or the prior year, if the permitholder ran a full schedule of live performances.**
- Cardrooms may operate 18 hours per day on Monday through Friday and for 24 hours per day on Saturday and Sunday.



CARDROOMS AND DESIGNATED PLAYER GAMES

In 1996, the Legislature authorized cardrooms and “pari-mutuel-style” poker games at pari-mutuel facilities (dog tracks, horse tracks, and jai alai frontons). At the time, these were universally understood as games in which players could play against the other players seated at the table (not played against the house), with the cardroom taking a small percentage of wagers for its operations.

- In recent years, some pari-mutuel facilities have been conducting player-banked card games (also called “designated player” card games) without specific statutory authorization in state law.
- Such games were held by a federal court to be contrary to the tribal exclusivity provisions of the current Compact.
- Designated player card games simulate the player’s experience in house-banked card games by allowing one player at the table to serve as the “bank” against which all other players play.
- In practice, the “designated player” is often not a player at all – but rather an employee of a third-party company, which is operating in a manner that is indistinguishable from a house-banked operation.



THE FLORIDA LOTTERY

- The Florida Lottery was authorized by a constitutional amendment in 1986, as a way to generate significant additional funds for education.
- The Lottery generates funds for education by selling draw and scratch-off games.
- In 2019-20:
 - Total ticket sales were \$7.5 billion.
 - Lottery prizes totaled \$5 billion
 - Retailer commissions totaled almost \$421 million
- Florida ranked the second highest among U.S. lotteries in total sales and 10th highest among U.S. lotteries in per capita sales.
- Lottery transfers to education in 2019-20 were over \$1.9 billion, \$13.3 million (0.7%) less than the prior year.
 - This decline is primarily due to lower sales of draw games such as the multi-state POWERBALL and MEGA MILLIONS jackpot games, which were affected by COVID-19.



GAMING ON TRIBAL LANDS: TRIBES ARE INDEPENDENT SOVEREIGN NATIONS UNDER U.S. LAW

- Tribal gaming began in Florida in 1979 with bingo halls. In 1981, a federal court ruled that the statute limiting bingo games could not be enforced against the Seminole Tribe of Florida (Tribe) and therefore, tribal members as well as non-tribal members could play bingo at tribal facilities. In 1987, the U.S. Supreme Court confirmed the authority of tribal governments to establish gaming operations independent of state regulation, when that state allows that type of gaming.
- Congress took up the issue of tribal gaming ultimately culminating in the passage of the Indian Gaming Regulatory Act of 1988 (IGRA), which allows tribes to participate in gaming activities on tribal land if a tribe meets certain requirements.
- Tribes are allowed to offer any game that the state allows to anyone. However, tribes must have a tribal-state compact in place and have it approved by the U.S. Department of the Interior to offer Class III gaming that is otherwise prohibited in the State.
- The State may **not** impose a tax, fee, charge, or other assessment on Indian gaming. However, the State can recoup the cost of regulation of gaming activities at tribal facilities.
- In addition, the State may receive a share of tribal gaming revenues under a Compact in exchange for "**meaningful concessions**" affording "**substantial economic benefits**" to the Tribe. Meaningful concessions = exclusivity of games or zone exclusivity.
- U.S. Department of the Interior will not approve revenue sharing payments that are not **proportional to the concessions** to and economic benefit derived by the Tribe under the Compact.



2010 SEMINOLE COMPACT

- Term
 - 20-year term (2010-2030)
 - Initially a 5-year term for the authorization to conduct banked card games (extended to 20 years (2030) by court ruling in 2016)
- Authorized Games
 - Slot machines at all 7 tribal facilities
 - Banked card games (blackjack, baccarat and chemin de fer) at 5 tribal facilities (subsequently expanded to all 7 by court ruling in 2016)
- Tribal exclusivity
 - In exchange for Revenue Sharing Payments from the Tribe to the state, the state agrees to prohibit:
 - Slot machines outside Miami-Dade and Broward Counties
 - Banked card games statewide



2010 SEMINOLE COMPACT REVENUE SHARING

Revenue Sharing Payments from the Tribe to the State:

- The Tribe shared approximately **\$2.17 billion** from July 1, 2010 to April 30, 2019.
- Revenue sharing tiers based on net win:

\$0-2B:	12%
\$2-3B:	15%
\$3-3.5B:	17.5%
\$3.5-4B:	20%
\$4-4.5B	22.5%
\$4.5B+:	25%
- Net win has never exceeded \$2.6 billion.
- The Tribe ceased revenue sharing after making April 2019 payments.



SEMINOLE COMPACT LITIGATION

- Starting in July 2015, DBPR and the Seminole Tribe engaged in litigation over the conduct of “designated player” card games at pari-mutuel facilities.
- On November 9, 2016 a federal court ruled that the State had violated the terms of the Compact and the Tribe was entitled to continue offering banked card games beyond the initial 5-year blackjack authorization and may continue offering such games for the entire 20-year term of the Compact (expiring July 2030).
- The Tribe continued to make full revenue sharing payments to the State throughout the course of the litigation. The parties did not raise, and the court’s ruling did not address, the future revenue sharing obligations of the Tribe.
- The parties subsequently executed a settlement agreement in July 2017, which was extended in April 2018.
- Under the settlement agreement, the Tribe agreed to continue revenue sharing payments provided that DBPR “aggressively enforced” the statutory ban on banking card games.
- In April 2019 the Tribe stopped revenue sharing payments to the State because the Tribe believed that aggressive enforcement had not occurred.



STATE RACING COMMISSION

When horse and dog racing were first approved in Florida in 1931, a five member State Racing Commission was also created. The Commission's duties included supervising, checking, and licensing pari-mutuel betting activities, establishing racing dates, and distributing pari-mutuel pools, which were then divided between all counties in the state.

The Governmental Reorganization Act of 1969 made organizational changes in the executive branch of government, which subsequently affected the pari-mutuel industry. The Department of Business Regulation (DBR) was created. It was headed by a Board appointed by the Governor. The State Racing Commission was then transferred to DBR.

Then in 1971, DBR was reorganized and the State Racing Commission's functions, except for the setting of dates for track and fronton operation, were transferred to the Division of Pari-mutuel Wagering.

In 1978, there was another reorganization of DBR. The Board was abolished and replaced by a Secretary and the Florida Pari-mutuel Commission was created. The Commission consisted of five members appointed by the Governor with four-year staggered terms. The Commission was primarily responsible for awarding racing dates.

Today, the Division of Pari-Mutuel Wagering within the Florida Department of Business and Professional Regulation licenses and regulates the industry. Florida law provides permitting, licensing, taxation, and wagering requirements for pari-mutuel activities, cardrooms and slot machine operations.



ARTICLE X, SECTION 30 OF THE FLORIDA CONSTITUTION - VOTER CONTROL OF GAMBLING

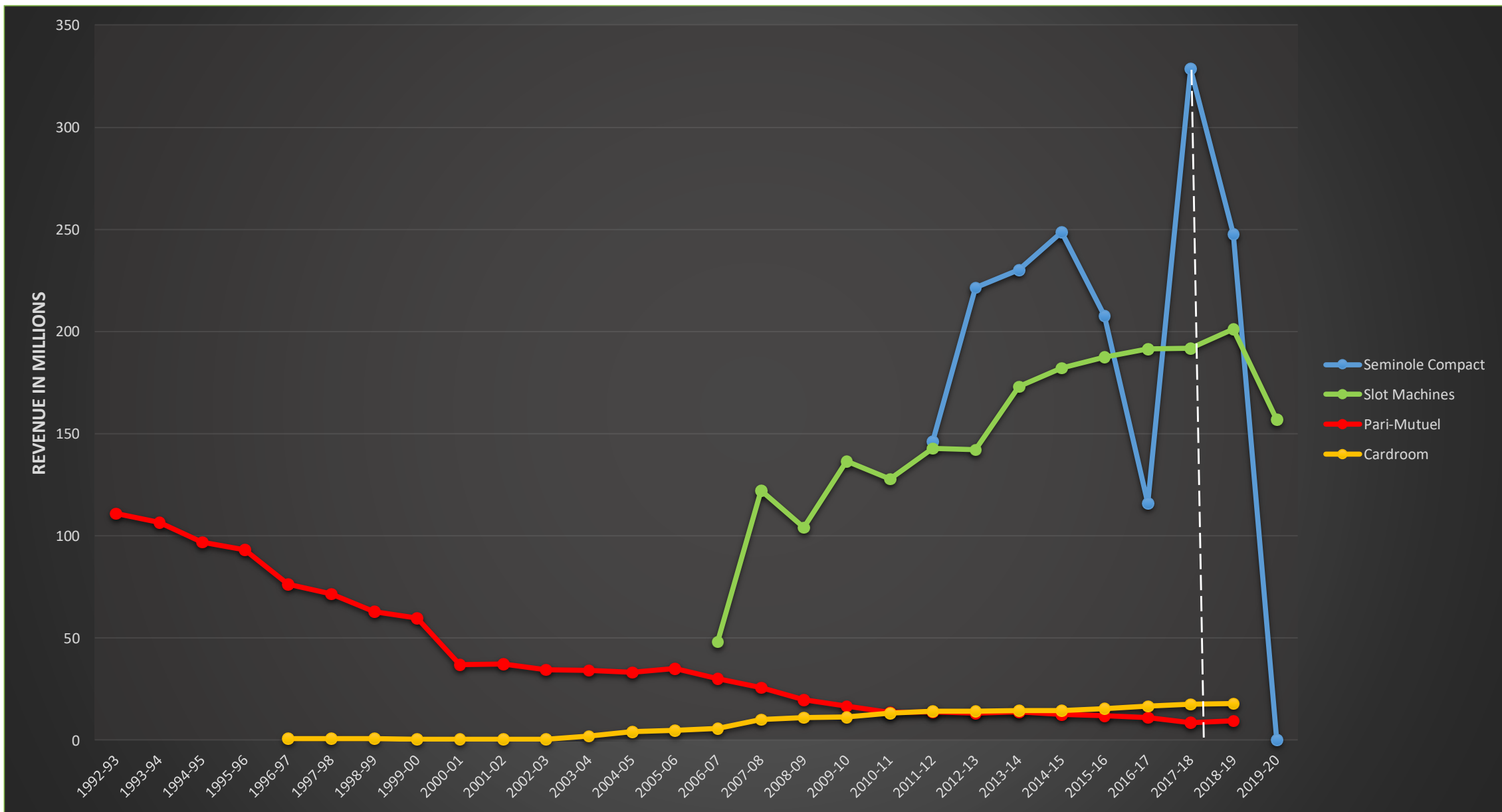
Provides voters with the exclusive right to decide whether to authorize casino gambling in Florida through a citizen-initiated ballot measure.

- Requires a constitutional amendment to authorize “casino gambling.”
 - Legislature can no longer authorize “casino gambling.”
- Must be proposed by citizens’ initiative process only.
 - Legislature cannot propose the constitutional amendment.
- “Casino gambling” means any of the types of games typically found in casinos and that are within the definition of “Class III” gaming under the federal Indian Gaming Regulatory Act (IGRA).
- Does not limit the ability of the state or tribes to negotiate gaming compacts for the conduct of casino gambling on tribal lands.



SUMMARY OF AUTHORIZED GAMING IN FLORIDA

- Pari-Mutuel Live Events – Dog, Horse, and Jai Alai (authorized in 1931)
 - 30+ licensed pari-mutuel permitholders throughout the state (conducting live events and /or intertrack wagering).
 - Wagering is authorized for horse racing (thoroughbred, quarter, and harness), greyhound racing (former), or jai alai games.
 - Pari-mutuels are highly regulated and subject to restrictions limiting relocations and other changes.
 - Generated **\$9.5 million** in state revenue in Fiscal Year 2018-2019, and **\$5.2 million** in 2019-20.
- Cardrooms at Pari-Mutuels (authorized in 1996)
 - 26 licensed cardrooms at pari-mutuel facilities throughout the state.
 - Certain pari-mutuels must conduct live pari-mutuel events to remain eligible for cardroom license.
 - Generated **\$18 million** in state revenue in Fiscal Year 2018-19, and **\$14 million** in 2019-20.
- Slot Machine Gaming at Pari-Mutuels (authorized in 2004, pursuant to constitutional amendment)
 - 8 licensed slot machine facilities at pari-mutuel facilities in Broward and Miami-Dade Counties.
 - Certain slot machine facilities must conduct live pari-mutuel events to remain eligible for slot machine license.
 - Generated **\$201.1 million** in state revenue in Fiscal Year 2018-2019, and **\$156.7 million** in 2019-20.
- Seminole Tribe Gaming (authorized in 2010, pursuant to Compact)
 - 7 tribal facilities offer slot machine gaming and 5 facilities offer banked games (expanded to all 7 by court ruling in 2016).
 - Generated **\$328.5 million** in state revenue in Fiscal Year 2017-2018 and **\$247.7 million** in FY 2018-2019. Payments ceased after April 2019.
 - Total payments to the state by the Tribe in 1st 5 years of the Compact = **\$1 billion**.
- Florida Lottery (authorized in 1986 by constitutional amendment)
 - Generated **\$1.7 billion** in state revenue in Fiscal Year 2018-19, and **\$1.9 billion** in FY 2019-2020.





TOPICS COVERED IN UPCOMING COURSES

- Fantasy sports wagering.
- Sports wagering.
- Decoupling of live pari-mutuel racing or games.
- Relocation of existing gaming facilities.
- Modification of existing laws related to greyhound racing following the constitutional ban.
- Indian Gaming and the Indian Gaming Regulatory Act.
- The Compact between the Seminole Tribe of Florida and the State of Florida.
- Gaming Commissions and enforcement agencies.